

VIRGINIA PUBLIC SCHOOL AUTHORITY

BOND SALE AGREEMENT

dated as of October 1, 2003

Name of Jurisdiction (the "Local Unit"):

Sale Date: Not earlier than October 6, 2003, nor later than October 23, 2003

Closing Date: On or about November 6, 2003

Proceeds Requested:

Maximum Authorized Par Amount:

Amortization Period:

1. The Virginia Public School Authority ("VPSA") hereby offers to purchase your general obligation school bonds at a price, determined by the VPSA to be fair and accepted by you, that, subject to VPSA's *purchase price objective* and market conditions described below, is substantially equal to Proceeds Requested set forth above (as authorized by your bond resolution) from the proceeds of the VPSA's bonds. The sale of VPSA's bonds is tentatively scheduled for October 15, 2003 but may occur at any time during the period described above as the Sale Date. You acknowledge that VPSA has advised you that its objective is to pay you a purchase price for your bonds which in VPSA's judgment reflects their market value ("*purchase price objective*") taking into consideration such factors as the amortization schedule you have requested for your bonds relative to the amortization schedules requested by the other localities for their respective bonds, the purchase price received by VPSA for its bonds and other market conditions relating to the sale of the VPSA's bonds. You further acknowledge that VPSA has advised you that such factors may result in your bonds having a value other than par and that in order to receive an amount of proceeds that is substantially equal to the Proceeds Requested you may need to issue a par amount of bonds that is greater than or lower than the Proceeds Requested. You at the request of VPSA, will issue an amount of the local school bonds not in excess of the Maximum Authorized Par Amount to provide, to the fullest extent practicable given VPSA's *purchase price objective* and market conditions, a purchase price for your bonds and a proceeds amount that is substantially equal to the Proceeds Requested. You acknowledge that the purchase price for your bonds will be less than the Proceeds Requested should the Maximum Authorized Par Amount be insufficient, based upon VPSA's *purchase price objective* and market conditions, to generate an amount of proceeds substantially equal to the Proceeds Requested.
2. You represent that on or before October 1, 2003, your local governing body will have duly authorized the issuance of your bonds by adopting a resolution in the form attached hereto as Appendix B (the "local resolution") and that your bonds will be in the form set

forth in the local resolution. Any changes that you or your counsel wish to make to the form of the local resolution and/or your bonds must be approved by the VPSA prior to adoption of the local resolution by your local governing body.¹

3. You hereby covenant that you will comply with and carry out all of the provisions of the Continuing Disclosure Agreement in the form attached hereto as Appendix F, which agreement is hereby incorporated by reference herein and expressly made a part hereof for all purposes. The VPSA has defined a Material Obligated Person (“MOP”) for purposes of the Continuing Disclosure Agreement as any Local Issuer the principal amount of whose local school bonds pledged under VPSA’s 1997 Resolution compromises more than 10% of the total principal amount of all outstanding 1997 Resolution bonds. MOP status will be determined by adding the principal amount of your local school bonds to be sold to the VPSA and the principal amount of your local bonds previously sold to the VPSA and currently pledged under VPSA’s 1997 Resolution and measuring the total against 10% of the face value of all bonds outstanding as of the Closing Date under VPSA’s 1997 Resolution. If you are or may be a MOP, the VPSA will require that you file all the information described in the following paragraph prior to VPSA’s distributing its Preliminary Official Statement, currently scheduled for October 3, 2003.

You acknowledge that if you are, or in the sole judgment of VPSA may be, a MOP following the issuance of your local school bonds that are the subject of this Bond Sale Agreement, the VPSA will include by specific reference in its Preliminary Official Statements and final Official Statements (for this sale and, if you remain a MOP or become a MOP again after ceasing to be a MOP, for applicable future sales) the information respecting you (“Your Information”) that is on file with the Nationally Recognized Municipal Securities Information Repositories or their respective successors (“NRMSIRs”) and the Municipal Securities Rulemaking Board or its successors (“MSRB”). Accordingly, if it appears that you will be a MOP (I) following the delivery of your local school bonds to the VPSA in connection with this sale, or (II) during the course of any future sale, whether or not you are a participant in such sale, you hereby represent and covenant to the VPSA that you will file such additional information, if any, as is required so that Your Information, as of each of (I) the date of the VPSA’s applicable Preliminary Official Statement (in the case of this sale, expected to be October 3, 2003), (II) the date of the VPSA’s applicable final Official Statement (in the case of this sale, expected to be October 15, 2003) and (III) the date of delivery of the applicable VPSA bonds (in the case of this sale, expected to be November 6, 2003), will be true and correct and will not contain any untrue statement of a material fact or omit to state a material fact which should be included in Your Information for the purpose for which it is included by specific reference in VPSA’s official statement or which is necessary to make the statements contained in such information, in light of the circumstances under

¹ *The local resolution has been drafted for the issuance of bonds by a County. Bond counsel will need to make appropriate changes in the local resolution for the issuance of bonds by a City or Town.*

which they were made, not misleading. You further agree to furnish to the VPSA a copy of all filings you make with NRMSIRs and the MSRB subsequent to the date of this Agreement. Such copy will be furnished to the VPSA on or before the day that any such filing is made.

The VPSA will advise you within 60 days of the end of each fiscal year if you were a MOP as of the end of such fiscal year. Upon written request, the VPSA will also advise you of your status as a MOP as of any other date. You hereby covenant that you will provide the certificate described in clause (e) of Section 4 below if VPSA includes Your Information by specific reference in its disclosure documents in connection with this sale or any future sale, whether or not you are a participant in such sale.

4. VPSA's commitment to purchase your bonds is contingent upon (I) VPSA's receipt on the Closing Date of (a) your bonds which shall include and otherwise meet the Standard Terms and Conditions contained in Appendix A hereto, (b) certified copies of the local resolution (see Appendix B attached hereto) and the school board resolution (see Appendix E attached hereto), (c) an executed agreement, among VPSA, you and the other local units simultaneously selling their bonds to VPSA, the depository and the investment manager for the State Non-Arbitrage Program ("SNAP"), providing for the custody, investment and disbursement of the proceeds of your bonds and the other general obligation school bonds, and the payment by you and the other local units of the allocable, associated costs of compliance with the Internal Revenue Code of 1986, as amended, and any costs incurred in connection with your participation in SNAP (the "Proceeds Agreement"), (d) an executed copy of the Use of Proceeds Certificate in the form attached hereto as Appendix C, (e) if the VPSA has included by specific reference Your Information into the VPSA Preliminary and final Official Statement, your certificate dated the date of the delivery of the VPSA's bonds to the effect that (i) Your Information was as of the date of the VPSA's Preliminary and final Official Statements, and is as of the date of the certificate, true and correct and did not and does not contain an untrue statement of a material fact or omit to state a material fact which should be included in Your Information for the purpose for which it is included by specific reference in VPSA's official statement or which is necessary to make the statements contained in such information, in light of the circumstances under which they were made, not misleading, and (ii) you have complied with your undertakings regarding the amendments adopted on November 10, 1994 to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, (f) an approving legal opinion from your bond counsel in form satisfactory to VPSA as to the validity of the bonds and the exclusion from gross income for federal and Virginia income tax purposes of the interest on your bonds, the conformity of the terms and provisions of your bonds to the requirements of this Bond Sale Agreement including the appendices attached hereto, and the due authorization, execution and delivery of this Bond Sale Agreement, Continuing Disclosure Agreement and the Proceeds Agreement, and the validity of the Continuing Disclosure Agreement and the Proceeds Agreement, (g) a transcript of the other customary closing documents not listed above, and (h) the proceeds of VPSA's bonds, (II) if you will be using the proceeds of your bonds to retire a bond anticipation note, certificate of participation or other form of interim financing (the "Interim Security"), receipt by VPSA of (a) an opinion of your bond counsel that, as of the Closing Date, the

Interim Security will be paid in full or defeased according to the provisions of the instrument authorizing the Interim Security (in rendering such opinion bond counsel may rely on a letter or certificate of an accounting or financial professional as to any mathematical computations necessary for the basis for such opinion) and (b) an executed copy of the escrow deposit agreement/letter of instruction providing for the retirement of the Interim Security and (III) your compliance with the terms of this agreement. Two complete transcripts (one original) of the documents listed above shall be provided by your counsel to the VPSA on the Closing Date or, with VPSA's permission, as soon as practicable thereafter but in no event more than thirty (30) business days after the Closing Date.

5. This Bond Sale Agreement shall take effect on October 1, 2003.

Virginia Public School Authority

Name of Jurisdiction:

By: _____
Authorized VPSA Representative

By: _____

Name: _____

Title: _____

(For information only; not part of the Bond Sale Agreement.)

Please have the presiding officer, or other specifically designated agent, of your governing body execute **2 (two)** copies of this Bond Sale Agreement and **return them, along with the tax questionnaire attached hereto as Appendix D, no later than close of business on October 1, 2003 to, Richard A. Davis, Public Finance Manager, Virginia Public School Authority, P. O. Box 1879, Richmond, Virginia 23218-1879 or by hand or courier service, James Monroe Building- 3rd Floor, 101 N. 14th Street, Richmond, Virginia 23219. *The VPSA recommends the use of an overnight delivery service to ensure timely arrival of your documents.*** If your governing body or bond counsel requires more than one originally signed Bond Sale Agreement, please send the appropriate number; all but one will be returned at closing.

**APPENDIX A
to the Bond Sale Agreement**

STANDARD TERMS AND CONDITIONS

Described below are terms of the local school bonds which must be embodied in your bond resolution and bond form and other conditions which must be met in order for VPSA to purchase your local school bonds on the Closing Date. VPSA will not purchase local school bonds unless and until such terms are present in the related bond resolution and bond form adopted by your governing body and such conditions are met.

Interest and Principal Payments

Your bonds will bear interest from the Closing Date¹ set forth in the Bond Sale Agreement and will mature on July 15 of the years and in the amounts as established by VPSA. Your bonds will bear interest payable in installments due semiannually on January 15 and July 15. The first principal and interest installment will be payable on July 15, 2004. Your bonds will bear interest at rates 10 basis points (0.10%) above the actual rates on VPSA's bonds with corresponding principal payment dates.

Payment

For so long as the VPSA is the registered owner of your bonds,

- (i) the paying agent and bond registrar therefor shall be a bank or trust company qualified to serve as such, and
- (ii) all payments of principal, premium, if any, and interest shall be made in funds that shall be immediately available to the VPSA on or before 11:00 A.M. on the applicable interest or principal payment date, or date fixed for prepayment or redemption, or if such date is not a business day for banks in Virginia or for the Commonwealth, then on or before 11:00 A.M. on the business day preceding such scheduled due date. Overdue payments of principal and, to the extent permitted by law, interest shall bear interest at the applicable interest rates on your bonds.

¹ *If VPSA does not purchase your local school bonds on the Closing Date due to your fault, VPSA will invest, in demand or overnight investments, the amount of its bond proceeds to be used to purchase your local school bonds. If you cure your failure to deliver your local school bonds within the sixty (60) day period following the Closing Date, the VPSA will purchase your local school bonds and your bonds will bear interest from the date of delivery and payment or other date satisfactory to the VPSA. You will, however, be required to pay to VPSA at your actual closing an amount equal to the positive difference, if any, between the amount of interest that would have accrued on your local school bonds from the Closing Date to your actual closing date and the lesser of the amount of interest income VPSA was able to earn, during such period, from the investment of its bond proceeds pending their use to purchase your bonds and the arbitrage yield on the VPSA's bonds.*

Prepayment or Redemption

[Note: Local School Bonds purchased by VPSA as part of the 2003 Interest Rate Subsidy Program are not subject to redemption or prepayment. The following section applies to non-subsidized applicants only.]

Bonds will be subject to redemption at the option of your governing body, subject to the consent of the VPSA or other registered owner. Your bond resolution shall provide for prepayment or redemption as follows:

The bonds maturing after July 15, 2013 are subject to optional prepayment or redemption prior to maturity by [the issuer], from any available moneys, in whole or in part, on any date on or after July 15, 2013, at the following prepayment or redemption prices on the following prepayment or redemption dates, plus accrued interest to the date fixed for prepayment or redemption:

<u>Dates</u>	<u>Price</u>
July 15, 2013 through July 14, 2014	101%
July 15, 2014 through July 14, 2015	100½
July 15, 2015 and thereafter	100

Provided, however, that the bonds shall not be subject to prepayment or redemption prior to their respective maturities except with the prior written consent of the registered owner.

Notice of any such prepayment or redemption shall be given to the registered owner by registered mail at least 60, but not more than 90, days prior to the date fixed for prepayment or redemption.

Security

Your bonds must constitute valid and binding general obligations for the payment of which the full faith and credit of the local unit are irrevocably pledged, and all taxable property within the boundaries of the local unit must be subject to the levy of an ad valorem tax, over and above all other taxes and without limitation as to rate or amount, for the payment of the principal of, and premium, if any, and interest on the bonds to the extent other funds of the local unit are not lawfully available and appropriated for such purpose.

Tax Matters

You shall complete the Questionnaire attached hereto as Appendix D to the Bond Sale Agreement and send along with the Bond Sale Agreement for receipt no later than the close of business on October 1, 2003 to Richard A. Davis, Public Finance Manager, Virginia Public School Authority, either at P.O. Box 1879, Richmond, Virginia 23218-1879 or if delivered by hand to the James Monroe Building- 3rd Floor, 101 N. 14th Street, Richmond, Virginia 23219. You shall execute the Use of Proceeds Certificate in the form provided in Appendix C attached to the Bond Sale Agreement for receipt by the VPSA at least three business days prior to the Closing Date.²

No Composite Issue

You will covenant not to sell, without VPSA's consent, any general obligation bonds which are part of the same common plan of financing (and payable from the same source of funds) as your local school bonds, during the period beginning 15 days in advance of and ending 15 days after VPSA's Sale Date.

Request and Consent of County School Board³

Before the governing body of a County adopts the bond resolution, the County School Board must **first** request, by resolution, the governing body to take such action. The County School Board must also consent to the issuance of bonds by the County. (See form of resolution in Appendix E attached hereto.)

² VPSA requires that the Use of Proceeds Certificate be executed separately from the tax certificates prepared by your bond counsel. Your bond counsel may also prepare one or more tax certificates that contain some information found in the Use of Proceeds Certificate in addition to information such as your reasonable expectations as to meeting the requirements to any of the rebate exceptions.

³ Not applicable to cities and towns. (Section 15.2-2640, Code of Virginia)

Public Hearing and Notice

Before the final authorization of your issuance of the bonds by the governing body, the governing body must hold a public hearing on the proposed issue unless the issuance of such bonds has been approved at referendum. The notice of the hearing, meeting the requirements of Section 15.2-2606, Code of Virginia 1950, as amended, must be published once a week for 2 successive weeks (notices at least 7 days apart) in a newspaper published or having general circulation in your locality. The public hearing may not be held less than 6 nor more than 21 days after the date the second notice appears in the newspaper.

Delivery

VPSA will accept delivery of your bonds only in the form of a single, typewritten, temporary bond, in registered form, payable to VPSA. The form of the bond is included as Exhibit A to the resolution in Appendix B to the Bond Sale Agreement. On 20 days written notice from VPSA, you agree to deliver, at your expense, in exchange for the typewritten bond, on one or more occasions, one or more temporary bonds or definitive bonds in marketable form and, in any case, in fully registered form, in denominations of \$5,000 and whole multiples thereof, and having the same aggregate principal amount and accruing interest at the same rates as the bonds surrendered in exchange, as requested by VPSA.

Comprehensive Annual Financial Report

Annually for the life of your bonds, you will be required to submit a copy of your locality's Comprehensive Annual Financial Report ("CAFR") or annual audited financial statements to the rating agencies referenced below:

Moody's Investors Service, Inc.
Public Finance Department
Attention: Caroline Cruise
99 Church Street
New York, New York 10007

Fitch Ratings
Governmental Finance
Attention: Claire G. Cohen
One State Street Plaza
New York, New York 10004

[Appropriate Changes Will Need to be Made for Cities and Towns]

APPENDIX B
to the Bond Sale Agreement

Resolution No. _____

**RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED
\$_____ GENERAL OBLIGATION SCHOOL BONDS
OF THE COUNTY OF _____, VIRGINIA, SERIES 2003 _____,
TO BE SOLD TO THE VIRGINIA PUBLIC SCHOOL AUTHORITY
AND PROVIDING FOR THE FORM AND DETAILS THEREOF.**

WHEREAS, the Board of Supervisors (the “Board”) of the County of _____, Virginia (the “County”), has determined that it is necessary and expedient to borrow not to exceed \$_____ and to issue its general obligation school bonds for the purpose of financing certain capital projects for school purposes; and

WHEREAS, the County [held/will hold] a public hearing, duly noticed, on _____, 2003, on the issuance of the Bonds (as defined below) in accordance with the requirements of Section 15.2-2606, Code of Virginia 1950, as amended (the “Virginia Code”); and¹

WHEREAS, the School Board of the County has, by resolution, requested the Board to authorize the issuance of the Bonds (as hereinafter defined) and consented to the issuance of the Bonds; and

WHEREAS, the Bond Sale Agreement (as defined below) shall indicate that \$_____ is the amount of proceeds requested (the “Proceeds Requested”) from the Virginia Public School Authority (the “VPSA”) in connection with the sale of the Bonds; and

WHEREAS, the VPSA’s objective is to pay the County a purchase price for the Bonds which, in VPSA’s judgment, reflects the Bonds’ market value (the “VPSA Purchase Price Objective”), taking consideration of such factors as the amortization schedule the County has requested for the Bonds relative to the amortization schedules requested by other localities, the purchase price to be received by VPSA for its bonds and other market conditions relating to the sale of the VPSA’s bonds; and

WHEREAS, such factors may result in the Bonds having a purchase price other than par and consequently (i) the County may have to issue a principal amount of Bonds that is greater than or less than the Proceeds Requested in order to receive an amount of proceeds that is substantially equal to the Proceeds Requested, or (ii) if the maximum authorized principal

¹ Omit and substitute appropriate recitative paragraph if bonds have been approved at referendum or to expressly elect to issue under the Public Finance Act pursuant to Section 15.2-2601 without regard to provisions of a charter or local or special act.

amount of the bonds set forth in section 1 below does not exceed the amount of the discount, the purchase price to be paid to the County, given the VPSA Purchase Price Objective and market conditions, will be less than the Proceeds Requested.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF _____, VIRGINIA:

1. **Authorization of Bonds and Use of Proceeds.** The Board hereby determines that it is advisable to contract a debt and issue and sell its general obligation school bonds in an aggregate principal amount not to exceed \$ _____² (the "Bonds") for the purpose of financing certain capital projects for school purposes as described in Exhibit B. The Board hereby authorizes the issuance and sale of the Bonds in the form and upon the terms established pursuant to this Resolution.

2. **Sale of the Bonds.** It is determined to be in the best interest of the County to accept the offer of the VPSA to purchase from the County, and to sell to the VPSA, the Bonds at a price, determined by the VPSA to be fair and accepted by the Chairman of the Board and the County [Administrator/Manager], or either of them [that is substantially equal to the Proceeds Requested, except that the Bonds may be sold for a purchase price not lower than 95% of the Proceeds Requested if issuing the Bonds in the maximum principal amount authorized by Section 1 of this Resolution is insufficient, given the VPSA Purchase Price Objective and market conditions, to generate an amount of proceeds substantially equal to the Proceeds Requested]. The Chairman of the Board, the County [Administrator/Manager], or either of them and such officer or officers of the County as either may designate are hereby authorized and directed to enter into a Bond Sale Agreement dated as of October 1, 2003, with the VPSA providing for the sale of the Bonds to the VPSA. The agreement shall be in substantially the form submitted to the Board at this meeting, which form is hereby approved (the "Bond Sale Agreement").

3. **Details of the Bonds.** The Bonds shall be dated the date of issuance and delivery of the Bonds; shall be designated "General Obligation School Bonds, Series 2003_____"; shall bear interest from the date of delivery thereof payable semi-annually on each January 15 and July 15 beginning July 15, 2004 (each an "Interest Payment Date"), at the rates established in accordance with Section 4 of this Resolution; and shall mature on July 15 in the years (each a "Principal Payment Date") and in the amounts set forth on Schedule I attached hereto (the "Principal Installments"), subject to the provisions of Section 4 of this Resolution.

4. **Interest Rates and Principal Installments.** The County [Administrator/Manager] is hereby authorized and directed to accept the interest rates on the Bonds established by the VPSA, provided that each interest rate shall be ten one-hundredths of one percent (0.10%) over the interest rate to be paid by the VPSA for the corresponding principal payment date of the bonds to be issued by the VPSA (the "VPSA Bonds"), a portion of the proceeds of which will be used to purchase the Bonds, and provided further that the true interest cost of the Bonds does not exceed five and sixty one-hundredths percent (5.60 %) per annum. The Interest Payment Dates and the Principal Installments are subject to change at the request of the VPSA. The County

² 105% of the amount of the Proceeds Requested is recommended.

[Administrator/Manager] is hereby authorized and directed to accept changes in the Interest Payment Dates and the Principal Installments at the request of the VPSA, provided that the aggregate principal amount of the Bonds shall not exceed the amount authorized by this Resolution. The execution and delivery of the Bonds as described in Section 8 hereof shall conclusively evidence such interest rates established by the VPSA and Interest Payment Dates and the Principal Installments requested by the VPSA as having been so accepted as authorized by this Resolution.

5. **Form of the Bonds.** The Bonds shall be initially in the form of a single, temporary typewritten bond substantially in the form attached hereto as Exhibit A.

6. **Payment; Paying Agent and Bond Registrar.** The following provisions shall apply to the Bonds:

(a) For as long as the VPSA is the registered owner of the Bonds, all payments of principal, premium, if any, and interest on the Bonds shall be made in immediately available funds to the VPSA at, or before 11:00 a.m. on the applicable Interest Payment Date, Principal Payment Date or date fixed for prepayment or redemption, or if such date is not a business day for Virginia banks or for the Commonwealth of Virginia, then at or before 11:00 a.m. on the business day next preceding such Interest Payment Date, Principal Payment Date or date fixed for prepayment or redemption.

(b) All overdue payments of principal and, to the extent permitted by law, interest shall bear interest at the applicable interest rate or rates on the Bonds.

(c) _____, _____, Virginia, is designated as Bond Registrar and Paying Agent for the Bonds.

7. **Prepayment or Redemption.** The Principal Installments of the Bonds held by the VPSA coming due on or before July 15, 2013, and the definitive Bonds for which the Bonds held by the VPSA may be exchanged that mature on or before July 15, 2013, are not subject to prepayment or redemption prior to their stated maturities. The Principal Installments of the Bonds held by the VPSA coming due after July 15, 2013, and the definitive bonds for which the Bonds held by the VPSA may be exchanged that mature after July 15, 2013, are subject to prepayment or redemption at the option of the County prior to their stated maturities in whole or in part, on any date on or after July 15, 2013, upon payment of the prepayment or redemption prices (expressed as percentages of Principal Installments to be prepaid or the principal amount of the Bonds to be redeemed) set forth below plus accrued interest to the date set for prepayment or redemption:

<u>Dates</u>	<u>Prices</u>
July 15, 2013 through July 14, 2014	101%
July 15, 2014 through July 14, 2015	100½
July 15, 2015 and thereafter	100

Provided, however, that the Bonds shall not be subject to prepayment or redemption prior to their stated maturities as described above without first obtaining the written consent of the

registered owner of the Bonds. Notice of any such prepayment or redemption shall be given by the Bond Registrar to the registered owner by registered mail not more than ninety (90) and not less than sixty (60) days before the date fixed for prepayment or redemption.

8. **Execution of the Bonds.** The Chairman or Vice Chairman and the Clerk or any Deputy Clerk of the Board are authorized and directed to execute and deliver the Bonds and to affix the seal of the County thereto.

9. **Pledge of Full Faith and Credit.** For the prompt payment of the principal of and premium, if any, and the interest on the Bonds as the same shall become due, the full faith and credit of the County are hereby irrevocably pledged, and in each year while any of the Bonds shall be outstanding there shall be levied and collected in accordance with law an annual ad valorem tax upon all taxable property in the County subject to local taxation sufficient in amount to provide for the payment of the principal of and premium, if any, and the interest on the Bonds as such principal, premium, if any, and interest shall become due, which tax shall be without limitation as to rate or amount and in addition to all other taxes authorized to be levied in the County to the extent other funds of the County are not lawfully available and appropriated for such purpose.

10. **Use of Proceeds Certificate and Certificate as to Arbitrage.** The Chairman of the Board, the County [Administrator/Manager] and such officer or officers of the County as either may designate are hereby authorized and directed to execute a Certificate as to Arbitrage and a Use of Proceeds Certificate each setting forth the expected use and investment of the proceeds of the Bonds and containing such covenants as may be necessary in order to show compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable regulations relating to the exclusion from gross income of interest on the Bonds and on the VPSA Bonds. The Board covenants on behalf of the County that (i) the proceeds from the issuance and sale of the Bonds will be invested and expended as set forth in such Certificate as to Arbitrage and such Use of Proceeds Certificate and that the County shall comply with the other covenants and representations contained therein and (ii) the County shall comply with the provisions of the Code so that interest on the Bonds and on the VPSA Bonds will remain excludable from gross income for Federal income tax purposes.

11. **State Non-Arbitrage Program; Proceeds Agreement.** The Board hereby determines that it is in the best interests of the County to authorize and direct the County [Treasurer/Director of Finance] to participate in the State Non-Arbitrage Program in connection with the Bonds. The Chairman of the Board, the County [Administrator/ Manager] and such officer or officers of the County as either may designate are hereby authorized and directed to execute and deliver a Proceeds Agreement with respect to the deposit and investment of proceeds of the Bonds by and among the County, the other participants in the sale of the VPSA Bonds, the VPSA, the investment manager and the depository, substantially in the form submitted to the Board at this meeting, which form is hereby approved.

12. **Continuing Disclosure Agreement.** The Chairman of the Board, the County [Administrator/Manager] and such officer or officers of the County as either may designate are hereby authorized and directed to execute a Continuing Disclosure Agreement, as set forth in Appendix F to the Bond Sale Agreement, setting forth the reports and notices to be filed by the

County and containing such covenants as may be necessary in order to show compliance with the provisions of the Securities and Exchange Commission Rule 15c2-12 and directed to make all filings required by Section 3 of the Bond Sale Agreement should the County be determined by the VPSA to be a MOP (as defined in the Continuing Disclosure Agreement).

13. **Filing of Resolution.** The appropriate officers or agents of the County are hereby authorized and directed to cause a certified copy of this Resolution to be filed with the Circuit Court of the County.

14. **Further Actions.** The members of the Board and all officers, employees and agents of the County are hereby authorized to take such action as they or any one of them may consider necessary or desirable in connection with the issuance and sale of the Bonds and any such action previously taken is hereby ratified and confirmed.

15. **Effective Date.** This Resolution shall take effect immediately.

* * *

The undersigned Clerk of the Board of Supervisors of the County of _____, Virginia, hereby certifies that the foregoing constitutes a true and correct extract from the minutes of a meeting of the Board of Supervisors held on _____, 2003, and of the whole thereof so far as applicable to the matters referred to in such extract. I hereby further certify that such meeting was a regularly scheduled meeting and that, during the consideration of the foregoing resolution, a quorum was present. Members present at the meeting were: _____. Members absent from the meeting were: _____. Members voting in favor of the foregoing resolution were: _____. Members voting against the foregoing resolution were: _____. Members abstaining from voting on the foregoing resolution were: _____.

WITNESS MY HAND and the seal of the Board of Supervisors of the County of _____, Virginia, this ____ day of _____, 2003.

Clerk, Board of Supervisors of
the County of _____, Virginia

[SEAL]

EXHIBIT A
(FORM OF TEMPORARY BOND)

NO. TR-1

\$_____

UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA
COUNTY OF _____

General Obligation School Bond

Series 2003 []**

The **COUNTY OF _____, VIRGINIA** (the “County”), for value received, hereby acknowledges itself indebted and promises to pay to the **VIRGINIA PUBLIC SCHOOL AUTHORITY** the principal amount of _____ DOLLARS (\$_____), in annual installments in the amounts set forth on Schedule I attached hereto payable on July 15, 2004 and annually on July 15 thereafter to and including July 15, [2023] (each a “Principal Payment Date”), together with interest from the date of this Bond on the unpaid installments, payable semi-annually on January 15 and July 15 of each year, commencing on July 15, 2004 (each an “Interest Payment Date”; together with any Principal Payment Date, a “Payment Date”), at the rates per annum set forth on Schedule I attached hereto, subject to prepayment or redemption as hereinafter provided. Both principal of and interest on this Bond are payable in lawful money of the United States of America.

For as long as the Virginia Public School Authority is the registered owner of this Bond, _____, as bond registrar (the “Bond Registrar”), shall make all payments of principal, premium, if any, and interest on this Bond, without the presentation or surrender hereof, to the

**

Letter designation, if any.

Virginia Public School Authority, in immediately available funds at or before 11:00 a.m. on the applicable Payment Date or date fixed for prepayment or redemption. If a Payment Date or date fixed for prepayment or redemption is not a business day for banks in the Commonwealth of Virginia or for the Commonwealth of Virginia, then the payment of principal, premium, if any, or interest on this Bond shall be made in immediately available funds at or before 11:00 a.m. on the business day next preceding the scheduled Payment Date or date fixed for prepayment or redemption. Upon receipt by the registered owner of this Bond of said payments of principal, premium, if any, and interest, written acknowledgment of the receipt thereof shall be given promptly to the Bond Registrar, and the County shall be fully discharged of its obligation on this Bond to the extent of the payment so made. Upon final payment, this Bond shall be surrendered to the Bond Registrar for cancellation.

The full faith and credit of the County are irrevocably pledged for the payment of the principal of and the premium, if any, and interest on this Bond. The resolution adopted by the Board of Supervisors authorizing the issuance of the Bonds provides, and Section 15.2-2624, Code of Virginia 1950, as amended, requires, that there shall be levied and collected an annual tax upon all taxable property in the County subject to local taxation sufficient to provide for the payment of the principal, premium, if any, and interest on this Bond as the same shall become due which tax shall be without limitation as to rate or amount and shall be in addition to all other taxes authorized to be levied in the County to the extent other funds of the County are not lawfully available and appropriated for such purpose.

This Bond is duly authorized and issued in compliance with and pursuant to the Constitution and laws of the Commonwealth of Virginia, including the Public Finance Act of 1991, Chapter 26, Title 15.2, Code of Virginia 1950, as amended, and resolutions duly adopted

by the Board of County Supervisors of the County and the School Board of the County to provide funds for capital projects for school purposes.

This Bond may be exchanged without cost, on twenty (20) days written notice from the Virginia Public School Authority, at the office of the Bond Registrar on one or more occasions for one or more temporary bonds or definitive bonds in marketable form and, in any case, in fully registered form, in denominations of \$5,000 and whole multiples thereof, and having an equal aggregate principal amount, having principal installments or maturities and bearing interest at rates corresponding to the maturities of and the interest rates on the installments of principal of this Bond then unpaid. This Bond is registered in the name of the Virginia Public School Authority on the books of the County kept by the Bond Registrar, and the transfer of this Bond may be effected by the registered owner of this Bond only upon due execution of an assignment by such registered owner. Upon receipt of such assignment and the surrender of this Bond, the Bond Registrar shall exchange this Bond for definitive Bonds as hereinabove provided, such definitive Bonds to be registered on such registration books in the name of the assignee or assignees named in such assignment.

The principal installments of this Bond coming due on or before July 15, 2013 and the definitive Bonds for which this Bond may be exchanged that mature on or before July 15, 2013, are not subject to prepayment or redemption prior to their stated maturities. The principal installments of this Bond coming due after July 15, 2013, and the definitive Bonds for which this Bond may be exchanged that mature after July 15, 2013, are subject to prepayment or redemption at the option of the County prior to their stated maturities in whole or in part, on any date on or after July 15, 2013, upon payment of the prepayment or redemption prices (expressed

as percentages of principal installments to be prepaid or the principal amount of the Bonds to be redeemed) set forth below plus accrued interest to the date set for prepayment or redemption:

<u>Dates</u>	<u>Prices</u>
July 15, 2013 through July 14, 2014	101%
July 15, 2014 through July 14, 2015	100½
July 15, 2015 and thereafter	100

Provided, however, that the Bonds shall not be subject to prepayment or redemption prior to their stated maturities as described above without the prior written consent of the registered owner of the Bonds. Notice of any such prepayment or redemption shall be given by the Bond Registrar to the registered owner by registered mail not more than ninety (90) and not less than sixty (60) days before the date fixed for prepayment or redemption.

All acts, conditions and things required by the Constitution and laws of the Commonwealth of Virginia to happen, exist or be performed precedent to and in the issuance of this Bond have happened, exist and have been performed in due time, form and manner as so required, and this Bond, together with all other indebtedness of the County, is within every debt and other limit prescribed by the Constitution and laws of the Commonwealth of Virginia.

IN WITNESS WHEREOF, the Board of Supervisors of the County of _____ has caused this Bond to be issued in the name of the County of _____, Virginia, to be signed by its Chairman or Vice-Chairman, its seal to be affixed hereto and attested by the signature of its Clerk or any of its Deputy Clerks, and this Bond to be dated _____, 2003.

(SEAL)

COUNTY OF _____, VIRGINIA

ATTEST:

Clerk, Board of Supervisors of the
County of _____, Virginia

Chairman, Board of Supervisors of the
County of _____, Virginia

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE: _____
the within Bond and irrevocably constitutes and appoints

_____ attorney to exchange said Bond for
definitive bonds in lieu of which this Bond is issued and to register the transfer of such definitive
bonds on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____

Signature Guaranteed:

(NOTICE: Signature(s) must be
guaranteed by an “eligible guarantor
institution” meeting the requirements
of the Bond Registrar which
requirements will include Membership or
participation in STAMP or such other “signature
guarantee program” as may be determined by
the Bond Registrar in addition to, or in substitution for,
STAMP, all in accordance with the Securities Exchange
Act of 1934, as amended.

Registered Owner
(NOTICE: The signature above
must correspond with the name
of the Registered Owner as it
appears on the front of this
Bond in every particular,
without alteration or change.)

APPENDIX C
to the Bond Sale Agreement

USE OF PROCEEDS CERTIFICATE [FOR NEW MONEY]

The \$_____ General Obligation School Bonds, Series 2003 (the “Bonds”) issued by [Name of Local Unit] (the “Issuer”) will be purchased by the Virginia Public School Authority (“VPSA”) from the proceeds of the VPSA’s \$_____ School Financing Bonds (1997 Resolution), Series 2003 C (the “VPSA’s Bonds”), pursuant to a Bond Sale Agreement dated as of October 1, 2003. The proceeds of the Bonds will be used to acquire, construct and equip public school facilities owned and/or operated by the school board for the Issuer (the “School Board”). The Issuer and the School Board each recognize that certain facts, estimates and representations set forth in the Certificate as to Arbitrage executed by VPSA in connection with the issuance of the VPSA’s Bonds must be based on the representations and certifications of the Issuer and the School Board, upon which VPSA and Sidley Austin Brown & Wood LLP, its bond counsel (“Bond Counsel”) rely, and that the exclusion from gross income for federal income tax purposes of the interest on the VPSA’s Bonds depends on the use of proceeds of the VPSA’s and the Issuer’s Bonds. Accordingly, the Issuer and the School Board hereby covenant that:

Section 1. Description of Project. The proceeds of the Bonds, including investment income thereon (“proceeds”), will be used to finance the acquisition, construction, and equipping of public school facilities of the Issuer (the “Project”).

Section 2. Governmental Use of Proceeds. The Issuer and the School Board covenant the following with respect to the use of proceeds of the Bonds and the facilities financed therewith:

(a) In General.

(i) Private Business Use. No more than ten percent (10%) of the proceeds of the Bonds or the Project (based on the greatest of: (A) the cost allocated on the basis of space occupied, (B) the fair market value, or (C) the actual cost of construction) has been or, so long as the Bonds are outstanding, will be, used in the aggregate for any activities that constitute a “Private Use” (as such term is defined below in subsection (d) of this Section 2).

(ii) Private Security or Payment. No more than ten percent (10%) of the principal of or interest on the Bonds, under the terms thereof or any underlying arrangement, has been, or, so long as the Bonds are outstanding, will be, directly or indirectly, (A) secured by any interest in (I) property used for a Private Use or (II) payments in respect of such property or (B) derived from payments in respect of property used or to be used for a Private Use, whether or not such property is a part of the Project.

(b) No Disproportionate or Unrelated Use. With respect to private business use disproportionate to or not related to governmental use financed or refinanced with the proceeds of the Bonds, no more than five percent (5%) of the principal of or interest on such Bonds, under the terms thereof or any underlying arrangement, has been, or, so long as the

Bonds are outstanding, will be, directly or indirectly, (x) secured by any interest in (I) property used for a Private Use or (II) payments in respect of such property or (y) derived from payments in respect of property used or to be used for a Private Use, whether or not such property is a part of the Project.

(c) No Private Loan Financing. No proceeds of the Bonds will be used to make or finance loans to any person other than to a state or local governmental unit.

(d) Definition of Private Use. For purposes of this Certificate, the term “Private Use” means any activity that constitutes a trade or business that is carried on by persons or entities other than state or local governmental entities. Any activity carried on by a person other than a natural person is treated as a trade or business. The leasing of property financed or refinanced with the proceeds of the Bonds or the access of a person other than a state or local governmental unit to property or services on a basis other than as a member of the general public shall constitute Private Use unless the Issuer obtains an opinion of Bond Counsel to the contrary. Use of property financed or refinanced with proceeds of the Bonds by any person, other than a state or local governmental unit, in its trade or business constitutes general public use only if the property is intended to be available and is in fact reasonably available for use on the same basis by natural persons not engaged in a trade or business (“General Public Use”).

In most cases Private Use will occur only if a nongovernmental person has a special legal entitlement to use the financed or refinanced property under an arrangement with the Issuer or the School Board. Such a special legal entitlement would include ownership or actual or beneficial use of the Project pursuant to a lease, management or incentive payment contract, output contract, research agreement or similar arrangement. In the case of property that is not available for General Public Use, Private Use may be established solely on the basis of a special economic benefit to one or more nongovernmental persons. In determining whether special economic benefit gives rise to Private Use, it is necessary to consider all of the facts and circumstances, including one or more of the following factors:

- (i) whether the financed or refinanced property is functionally related or physically proximate to property used in the trade or business of a nongovernmental person;
- (ii) whether only a small number of nongovernmental persons receive the economic benefit; and
- (iii) whether the cost of the financed or refinanced property is treated as depreciable by the nongovernmental person.

As of the date hereof, no portion of the Project is leased (or will be so leased) by the Issuer or the School Board (or a related party or agent) to a person or entity other than a state or local governmental unit or to members of the general public for General Public Use.

(e) Management and Service Contracts. With respect to management and service contracts, the determination of whether a particular use constitutes Private Use under this Certificate shall be determined on the basis of applying Revenue Procedure 97-13, 1997-1 C. B. 632, as modified by Revenue Procedure 2001-39, 2001-28 I.R.B. 38 (collectively, “Revenue

Procedure 97-13”). As of the date hereof, no portion of the proceeds derived from the sale of the Bonds is being used to finance or refinance property subject to contracts or other arrangements with persons or entities engaged in a trade or business (other than governmental units) that involve the management of property or the provision of services with respect to property financed or refinanced with proceeds of the Bonds that does not comply with the standards of Revenue Procedure 97-13.

For purposes of determining the nature of a Private Use, any arrangement that is properly characterized as a lease for federal income tax purposes is treated as a lease. Consequently, an arrangement that is referred to as a management or service contract may nevertheless be treated as a lease. In determining whether a management contract is properly characterized as a lease, it is necessary to consider all of the facts and circumstances, including the following factors:

- (i) the degree of control over the property that is exercised by a nongovernmental person; and
- (ii) whether a nongovernmental person bears risk of loss of the financed or refinanced property.

Section 3. Time Test and Due Diligence Test. The Issuer or the School Board have incurred or will incur within 6 months of the date hereof substantial binding obligations, which are not subject to contingencies within the control of the Issuer or the School Board or a related party, to third parties to expend at least 5% of the net sale proceeds of the Bonds on the Project. The Issuer and the School Board will proceed with due diligence to spend all of the proceeds of the Bonds within three years of the date hereof.

Section 4. Dispositions and Change in Use.

(a) No Sale or Disposition. The Issuer and the School Board expect to own and operate and do not expect to sell or otherwise dispose of the Project, or any component thereof, prior to the final maturity date of the VPSA’s Bonds (August 1, [2023]).

(b) No Change in Use. The Issuer and the School Board represent, warrant and covenant that the facilities financed or refinanced with proceeds of the Bonds will be used for the governmental purpose of the Issuer and the School Board during the period of time the Bonds are outstanding, unless an opinion of Bond Counsel is received with respect to any proposed change in use of the Project.

Section 5. No Sinking or Pledged Funds. The Issuer and the School Board have not established and will not establish any funds or accounts that are reasonably expected to be used to pay debt service on the Bonds or that are pledged (including negative pledges) as collateral for the Bonds for which there is a reasonable assurance that amounts on deposit therein will be available to pay debt service on the Bonds if the Issuer or the School Board encounters financial difficulty.

Section 6. No Replacement Proceeds.

(a) In General. No portion of the proceeds of the Bonds will be used as a substitute for other funds that prior to the Issuer's resolving to proceed with the issuance of the Bonds was used or is to be used to pay any cost of the Project.

(b) Safe Harbor. In accordance with Section 1.148-1(c) of the Treasury Regulations regarding the safe harbor against the creation of "replacement proceeds", as of the date hereof, the weighted average maturity of the Bonds does not exceed 120% of the reasonably expected economic life of the Project financed thereby.

Section 7. No Refunding. The proceeds of the Bonds will not be used to provide for the payment of any principal of or interest on any obligations of the Issuer, other than the Bonds, incurred in the exercise of its borrowing power.

Section 8. Composite Issue. There are no other obligations of the Issuer that have been, or will be (a) sold within 15 days of the Bonds, (b) sold pursuant to the same plan of financing together with the Bonds, and (c) paid out of substantially the same source of funds as the Bonds.

Section 9. No Federal Guarantee. The Issuer and the School Board shall not take or permit any action that would cause (a) the payment of principal of or interest on the Bonds to be guaranteed, directly or indirectly, in whole or in part by the United States or any agency or instrumentality thereof or (b) 5 percent or more of the proceeds of the Bonds to be (i) used in making loans the payment of principal of or interest on which is guaranteed in whole or in part by the United States or any agency or instrumentality thereof or (ii) invested directly or indirectly in federally insured deposits or accounts (except as permitted under Section 149(b) of the Internal Revenue Code of 1986, as amended (the "Code"), or the regulations promulgated thereunder). The Issuer and the School Board have not, and will not enter into, any (i) long-term service contract with any federal governmental agency, (ii) service contract with any federal governmental agency under terms that are materially different from the terms of any contracts with any persons other than federal government agencies, and (iii) lease of property to any federal government agency that would cause the Bonds to be considered "federally guaranteed" within the meaning of Section 149(b) of the Code.

Section 10. No Hedge Bonds. The Issuer and the School each reasonably expects that all of the net sale proceeds of the Bonds will be used to pay the cost of the Project within three years of the date hereof. Furthermore, not more than 50 percent of the proceeds of the Bonds will be invested in Nonpurpose Investments (as such term is defined in Section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more.

Section 11. No Overissuance. The total proceeds derived by the Issuer from the sale of the Bonds and anticipated investment earnings thereon do not exceed the total of the amounts necessary to finance the Project.

Section 12. Reimbursable Expenses. A portion of the proceeds of the Bonds to be applied to the cost of the Project will be used to reimburse the Issuer for expenditures incurred thereby with respect to the Project in anticipation of the issuance of the Bonds. The Issuer and

the School Board represent the following with respect to the costs of the Project to be reimbursed from the proceeds of the Bonds.

(a) Official Intent. The total amount of reimbursed costs incurred by the Issuer with respect to the Project is not expected to exceed \$ _____. Such expenditures were paid prior to the date hereof but no earlier than sixty (60) days prior to _____, _____, which is the date the Issuer or the School Board adopted its “official intent” declaration (the “Official Intent Declaration”) in accordance with Section 1.150-2 of the Treasury Regulations. The Official Intent Declaration:

- (i) was, on the date of its adoption, intended to constitute a written documentation on behalf of the Issuer that states that the Issuer reasonably expected to reimburse itself for such expenditures with the proceeds of a taxable or tax-exempt borrowing,
- (ii) set forth a general description of the Project, and
- (iii) stated the maximum principal amount of debt expected to be issued for the Project.

Neither the Issuer nor the School Board has taken any action subsequent to the expression of such intent that would contradict or otherwise be inconsistent with such intent.

(b) Reasonable Official Intent. As of the date of the Official Intent Declaration, the Issuer reasonably expected to reimburse such expenditures with the proceeds of a borrowing. The Issuer does not have a pattern of failing to reimburse expenditures for which an intention to reimburse such expenditures was declared and which were actually paid by the Issuer other than in circumstances that were unexpected and beyond the control of the Issuer.

(c) Reimbursement Period Requirement. The proceeds derived from the sale of the Bonds to be applied to reimburse the above-described expenditures will be so applied no later than the later of the date that is (i) eighteen (18) months after the date on which the expenditure being reimbursed was paid, or (ii) eighteen (18) months after the date on which the portion of the Project to which such expenditure relates was placed in service (within the meaning of Section 1.150-2 of the Treasury Regulations) or abandoned. The Issuer shall not, however, use Bond proceeds to reimburse the above-described expenditures later than three (3) years after the date the original expenditure was paid.

(d) Reimbursable Expenditures. The expenditures to be reimbursed are either (i) capital expenditures (within the meaning of Section 1.150-1 (b) of the Treasury Regulations), (ii) costs of issuance, (iii) certain working capital expenditures for extraordinary, nonrecurring items that are not customarily payable from current revenues (within the meaning of Section 1.148-6 (d) (3) (ii) (B) of the Treasury Regulations), (iv) grants (within the meaning of Section 1.148-6 (d) (4) of the Treasury Regulations), or (v) qualified student loans, qualified mortgage loans or qualified veterans’ mortgage loans (within the meaning of Section 1.150-1(b) of the Treasury Regulations). None of the expenditures to be reimbursed were incurred for day-to-day operating costs or similar working capital items.

No portion of the proceeds of the Bonds being used to reimburse the Issuer for prior expenditures will be used, directly or indirectly, within one year of the date of a reimbursement allocation, in a manner that results in the creation of replacement proceeds (within the meaning of Section 1.148-1 of the Treasury Regulations), other than amounts deposited in a bona fide debt service fund.

(e) Anti-Abuse Rules. None of the proceeds of the Bonds is being used in a manner that employs an abusive arbitrage device under Section 1.148-10 of the Treasury Regulations to avoid the arbitrage restrictions or to avoid the restrictions under Sections 142 through 147 of the Code.

Section 13. Private Activity Covenants. The Issuer and the School Board each represents, warrants and covenants that it will take no action that would cause either the Bonds or the VPSA's Bonds to be private activity bonds within the meaning of Section 141(a) of the Code and that it will not fail to take any action that would prevent the VPSA's Bonds and the Bonds from being private activity bonds, within the meaning of Section 141(a) of the Code. Furthermore, the Issuer and the School Board have established reasonable procedures to ensure compliance with this covenant.

Section 14. Covenant as to Arbitrage. The Issuer and the School Board each represents, warrants and covenants that whether or not any of the Bonds remain outstanding, the money on deposit in any fund or account maintained in connection with the Bonds, whether or not such money was derived from the proceeds of the sale of the Bonds or from any other sources, will not be used in a manner that would cause the Bonds or the VPSA's Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations thereunder.

Section 15 Tax Covenant. The Issuer and the School Board each represents, warrants and covenants that it will not take any action which will, or fail to take any action which failure will, cause the interest on the Bonds or the VPSA's Bonds to become includable in the gross income of the owners of the Bonds or the VPSA's Bonds for federal income tax purposes pursuant to the provisions of the Code and the regulations promulgated thereunder in effect on the date of original issuance of the Bonds and the VPSA's Bonds.

Date:

[NAME OF LOCAL ISSUER]

By:
Name:
Title:

[NAME OF SCHOOL BOARD]

By:
Name:
Title:

APPENDIX D
to the Bond Sale Agreement

**CONSTRUCTION EXCEPTION AND
EIGHTEEN-MONTH EXCEPTION
TO THE REBATE REQUIREMENT
QUESTIONNAIRE**

The purpose of this questionnaire is to elicit facts concerning the expenditure of the proceeds of the City/County of (the “Issuer”) general obligation school bonds (the “Bonds”) in order to make an initial determination that the construction exception from the rebate requirement provided by Section 148(f)(4)(C) of the Internal Revenue Code of 1986, as amended, or the eighteen month exception from the rebate requirement provided by Section 1.148-7(d) of the Treasury Regulations is available.

Please supply the information requested below and send this questionnaire to Richard A. Davis, Public Finance Manager, Virginia Public School Authority, P. O. Box 1879, Richmond, Virginia 23218-1879, for receipt no later October 1, 2003, with a copy to your bond counsel.

1. Briefly describe the project (the “Project”) to be financed with the proceeds of the Bonds including the useful life of the project(s) being financed.

2. (a) Indicate the total amount of proceeds to be derived from the sale of the Bonds.

- (b) Indicate the amount that you reasonably expect to receive from the investment of the Bond proceeds prior to spending all of the Bond proceeds set forth above in Question 2 (a).

- (c) Indicate the amount of proceeds derived from the sale of the Bonds that you expect to use to finance the issuance costs of the Bonds. (e.g. your legal fees)

- (d) The amount set forth in Questions 2(a) plus the amount set forth in Question 2(b) reduced by the amount set forth in Question 2(c) equals \$_____. This amount is hereinafter referred to as “Available Construction Proceeds”. **Any bond**

premium derived from sale of the bonds and any investment earnings thereon will be treated as Available Construction Proceeds.

3. Indicate the amount of money, other than the Available Construction Proceeds of the Bonds, that will be applied toward the cost of the Project and the expected source of such money. Indicate what such money will be used for.

4. Indicate, by principal components, your current estimates of the cost for the acquisition and construction of the Project that will be financed with the Available Construction Proceeds of the Bonds, including:

- | | |
|---|----------|
| (a) Acquisition of Interest in Land | \$ _____ |
| (b) Acquisition of Interest in Real Property ¹ | _____ |
| (c) Acquisition and/or Installation of Tangible
Personal Property ² | _____ |
| (d) Site Preparation | _____ |
| (e) Construction of Real Property ³ | _____ |
| (f) Reconstruction of Real Property ⁴ | _____ |
| (g) Rehabilitation of Real Property ⁵ | _____ |
| (h) Construction of Tangible Personal Property ⁶ | _____ |
| (i) Specially developed computer software ⁷ | _____ |
| (j) Interest on the Bonds during Construction | _____ |
| (k) Other (please specify) | _____ |

- (l) Total \$ _____

(Note: The sum of the amounts described in (a) through (k) must equal the amount of Available Construction Proceeds of the Bonds set forth in Question 2(d).)

1-7 See the Endnotes on pages D-7 and D-8.

5. (a) Have you borrowed, directly or indirectly, (such as through an industrial development authority) any money, either through a tax-exempt bank loan, a bond anticipation note, any tax-exempt or taxable obligation or otherwise (a "loan"), to pay for the Project costs?

Yes _____ No _____

- (b) Do you intend to use the proceeds of the Bonds to refinance or repay any loan used to finance the Project costs?

Yes _____ No _____

- (c) If the answer to Question 5(b) is “Yes”, please attach a copy of the BAN, COP, or other evidence of the loan and any tax certificate executed with such loan and indicate the following:
- (i) Amount of loan:
 - (ii) Date of loan:
 - (iii) Maturity date of loan:
 - (iv) Interest rate of loan:
 - (v) Name of lender:
 - (vi) Refinance or repayment date:
 - (vii) Amount of unspent proceeds, if any:
 - (viii) Where unspent proceeds are being held (e.g. SNAP):
- (d) If the answer to question 5(a) or (b) is “Yes”, did you use the proceeds of the loan to reimburse yourself for expenses paid with respect to the Project before the loan was obtained?
- Yes _____ No _____
- (e) If the answer to question 5(b) is “Yes”, do you expect to qualify for the small issuer exception for the loan.
6. (a) Do you intend to reimburse yourself from the proceeds of the Bonds for Project costs advanced from your General Fund or other available sources?
- Yes _____ No _____
- (b) If the answer to Question 5(d) or Question 6 (a) is “Yes”, with respect to all such expenditures, please indicate the amount of such expenditure, when such expenditure was paid and the purpose of the expenditure (i.e., architectural fees, engineering fees, other construction costs):
- (i) Amount expended \$ _____
 - (ii) Date of expenditure:
 - (iii) Purpose of expenditure:
- (Note: if you intend to reimburse yourself for more than one expenditure, please attach a rider setting forth: (i) amount expended, (ii) date of expenditure, and (iii) purpose of expenditure)
7. If the answer to Question 5(d) or 6(a) is “Yes” please attach a copy of any other evidence of your intention to reimburse yourself with the proceeds of a borrowing such as the earliest possible resolution, declaration or minutes of a meeting. Include the date such resolution was adopted, meeting was held or declaration made.

[The purpose of questions 8, 9 and 10 is to determine if the Bonds may qualify for the Construction Exception from the Rebate Requirement.]

8. Indicate whether the total of the amounts shown in 4(d) through (i) on page D-2 is at least 75% of the amount of Available Construction Proceeds (i.e., 75% of the amount in 4(i).

Yes _____ No _____

If the answer to Question 8 is "Yes", answer Question 9 and skip Question 10.

If the answer to Question 8 is "No", skip Question 9 and answer Question 10.

9. (a) Assuming the Bonds are delivered on November 6, 2003 and funds are made available to you on that date, please complete the following schedule indicating the amount of Available Construction Proceeds that the City/County expects to expend and disburse **during** the following time periods:

From November 6, 2003 to May 6, 2004	\$_____ ⁸
From May 7, 2004 to November 6, 2004	_____
From November 7, 2004 to May 6, 2005	_____
From May 7, 2005 to November 6, 2005	_____
Total ⁹	\$_____

8 and 9 See the Endnotes on page D-8.

- (b) If you do not expect to spend 100% of Available Construction Proceeds by November 6, 2005, do you expect to spend 100% of Available Construction Proceeds by November 6, 2006?

Yes _____ No _____

10. For purposes of this Question 10, assume that the Bonds are delivered on November 6, 2003 and funds are made available to you on that date.

- (a) Does the City/County expect to expend and disburse the amount shown in Question 4(a) for the acquisition of land by May 6, 2004?

Yes _____ No _____

- (b) Does the City/County expect to expend and disburse the amount shown in Question 4(b) for the acquisition of interests in real property by May 6, 2004?

Yes _____ No _____

- (c) Does the City/County expect to expend and disburse the amount shown in Question 4(c) for the acquisition and/or installation of tangible personal Property by May 6, 2004?

Yes _____ No _____

- (d) (i) Does the City/County expect to expend and disburse the amount shown in question 4(l) by November 6, 2006?

Yes _____ No _____

(ii) Assuming that the Bonds are delivered on November 6, 2003, and funds are made available to you on that date, please complete the following schedule indicating the amount of Available Construction Proceeds that the City/County expects to expend and disburse during the following time periods:

From November 6, 2003 to May 6, 2004	\$_____ ¹
From May 7, 2004 to November 6, 2004	_____
From November 7, 2004 to May 6, 2005	_____
From May 7, 2005 to November 6, 2005	_____
Total	\$_____

¹⁰ See the Endnotes on page D-8.

[The purpose of question 11 is to determine if the Bonds may qualify for the Eighteen Month Exception from the Rebate Requirement.]

11. The sum of the amounts set forth in Questions 2(a) and 2(b) equals \$_____ (the “gross proceeds”). Assuming that the Bonds are delivered on November 6, 2003 and funds are made available to you on that date, please complete the following schedule indicating the amount of gross proceeds that the City/County expects to expend and disburse during the following time periods:

From November 6, 2003 to May 6, 2004	\$_____ ¹¹
From May 7, 2004 to November 6, 2004	_____
From November 7, 2004 to May 6, 2005	_____
Total	\$_____

12. (a) Will this issue qualify for the Small Issuer Exception?

Yes _____ No _____

- (b) List any general obligation bond financings the City/County has undertaken or is planning to undertake in the calendar year 2003.

I understand that the foregoing information will be relied upon by the Virginia Public School Authority (the “Authority”) in determining the applicability of the construction exception to the Authority’s School Financing Bonds (1997 Resolution), Series 2003 C. I hereby certify that I am familiar with the Project or have made due inquiry in order to complete this Questionnaire with respect to the Project and am authorized by the City/County to provide the foregoing information with respect to it, which information is true, correct, and complete, to the best of my knowledge.

Name of Person Completing Questionnaire

Title

Signature

Date

ENDNOTES

1. For purposes of this questionnaire, "real property" means improvements to land, such as buildings or other inherently permanent structures, including items that are structural components of such buildings or structures. For example, real property includes wiring in a building, plumbing systems, central heating or central air conditioning systems, pipes or ducts, elevators or escalators installed in a building, paved parking areas, road, wharves and docks, bridges and sewage lines.
2. For purposes of this questionnaire, tangible personal property means any tangible property except real property. For example, tangible personal property includes machinery that is not a structural component of a building, fire trucks, automobiles, office equipment, testing equipment and furnishings.
3. See description of real property in endnote 1. This includes all capital expenditures that are properly chargeable to or may be capitalized as part of the basis of the real property prior to the date the property is placed in service. For purposes of this questionnaire, expenditures are considered paid in connection with the construction, reconstruction or rehabilitation of real property if the contract between the Issuer and the seller requires the seller to build or install the property (such as under a "turnkey contract") but only to the extent the property has not been built or installed at the time the parties enter into the contract. If the property has been partially built or installed at the time the parties enter into the contract, the expenditures that are allocable to the portion of the property built or installed before that time are expenditures for the acquisition of real property.
4. See endnote 3.
5. See endnote 3.
6. For purposes of this questionnaire, expenditures are in connection with the construction of tangible personal property, as defined in endnote 2, if:
 - (a) A substantial portion of the property or properties is completed more than 6 months after the earlier of the date construction or rehabilitation commenced and the date the Issuer entered into an acquisition contract;
 - (b) Based on the reasonable expectations of the Issuer, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the Issuer) could not have occurred within that 6-month period; and
 - (c) If the Issuer itself builds or rehabilitates the property, not more than 75% of the capitalizable cost is attributable to property acquired by the Issuer (e.g., components, raw materials and other supplies).
7. Specially developed computer software means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to

describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

8. Include amounts expended prior to November 6, 2003 **and approved by your bond counsel** for reimbursement from your bond proceeds. This does not include any amount used to refinance or repay any loan.
9. Total should equal the amount in 4(1).
10. Include amounts expended prior to November 6, 2003 **and approved by your bond counsel** for reimbursement from your bond proceeds. This does not include any amount used to refinance or repay any loan.

**APPENDIX E to the
Bond Sale Agreement**

**RESOLUTION REQUESTING THE BOARD OF
SUPERVISORS TO ISSUE GENERAL
OBLIGATION SCHOOL BONDS FOR SCHOOL
PURPOSES AND CONSENTING TO THE
ISSUANCE THEREOF**

BE IT RESOLVED:

1. The School Board of the County of _____ hereby (i) requests, pursuant to Section 15.2-2640 of the Code of Virginia, 1950, as amended (the “Code”), that the Board of Supervisors of the County of _____ issue its general obligation school bonds in an aggregate principal amount not to exceed \$_____ (the “Bonds”) for the purpose of financing certain capital projects for school purposes and (ii) consents, pursuant to Section 15.2-2638.B(iii) of the Code and Article VII, Section 10(b) of the Constitution of Virginia, to the issuance of the Bonds.

2. This resolution shall take effect immediately.

* * *

Members present at the meeting were: _____. Members absent from the meeting were: _____. Members voting in favor of the foregoing resolution were: _____. Members voting against the foregoing resolution were: _____. Members abstaining from voting on the foregoing resolution were: _____.

APPENDIX F
to the Bond Sale Agreement

CONTINUING DISCLOSURE AGREEMENT

[This Continuing Disclosure Agreement will impose obligations on the
Local Issuer if and only if the Local Issuer is or has become and
remains a “Material Obligated Person”, as defined below]

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the undersigned local issuer (the “Local Issuer”) in connection with the issuance by the Virginia Public School Authority (the “Authority”) of \$_____ aggregate principal amount of its School Financing Bonds (1997 Resolution) Series 2003 C (the “Series 2003 C Bonds”) pursuant to the provisions of a bond resolution (the “1997 Resolution”) adopted on October 23, 1997, as amended and restated. The Series 2003 C Bonds and all other parity bonds heretofore and hereafter issued under the 1997 Resolution are collectively called the “Bonds”. A portion of the proceeds of the 2003 Series C Bonds are being used by the Authority to purchase certain general obligation school bonds (“Local School Bonds”) of the Local Issuer pursuant to a bond sale agreement between the Authority and the Local Issuer (the “Bond Sale Agreement”). Pursuant to paragraph 3 of the Bond Sale Agreement, the Local Issuer hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Local Issuer for the benefit of the holders of the Series 2003 C Bonds and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). The Local Issuer acknowledges that it is undertaking primary responsibility for any reports, notices or disclosures that may be required under this Agreement.

SECTION 2. Definitions. In addition to the definitions set forth in the 1997 Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Local Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“bond sale agreement” shall mean the Bond Sale Agreement and any other comparable written commitment of the Local Issuer to sell local school bonds to the Authority.

“Dissemination Agent” shall mean the Local Issuer, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by such Local Issuer and which has filed with such Local Issuer a written acceptance of such designation.

“Filing Date” shall have the meaning given to such term in Section 3(a) hereof.

“Fiscal Year” shall mean the twelve-month period at the end of which financial position and results of operations are determined. Currently, the Local Issuer’s Fiscal Year begins July 1 and continues through June 30 of the next calendar year.

“holder” shall mean, for purposes of this Disclosure Agreement, any person who is a record owner or beneficial owner of a Series 2003 C Bond.

“Listed Events” shall mean any of the events listed in subsection 5(b)(5)(i)(C) of the Rule.

“local school bonds” shall mean any of the Local School Bonds and any other bonds of the Local Issuer pledged as security for Bonds issued under the Authority’s 1997 Resolution.

“Material Obligated Person” (or “MOP”) shall mean the Local Issuer if it has local school bonds outstanding in an aggregate principal amount that exceeds 10% of the aggregate principal amount of all outstanding Bonds of the Authority.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

“Participating Underwriter” shall mean any of the original underwriters of the Authority’s Series 2003 C Bonds required to comply with the Rule in connection with the offering of such Bonds.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private depository or entity designated by the State as a state depository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The Local Issuer shall, or shall cause the Dissemination Agent to, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Such Annual Report shall be filed on a date (the “Filing Date”) that is not later than 12 months after the end of any Fiscal Year (commencing with its Fiscal Year ended June 30, 2004) as of the end of which such Local Issuer was a MOP, unless as of the Filing Date the Local Issuer is no longer a MOP.¹ Not later than ten (10) days prior to the Filing Date, the Local Issuer shall provide the Annual Report to the Dissemination Agent (if applicable) and shall provide copies to the Authority. In each case, the Annual Report (i) may be submitted as a single document or as separate documents comprising a package, (ii) may cross-reference other information as provided in Section 4 of this Disclosure Agreement and (iii) shall include

¹ The Authority will covenant in the Bond Sale Agreement to advise the Local Issuer within 60 days of the end of each Fiscal Year if such Local Issuer was a Material Obligated Person as of the end of such Fiscal Year. Upon written request, the Authority will also advise the Local Issuer as to its status as a MOP as of any other date.

the Local Issuer's audited financial statements prepared in accordance with applicable State law or, if audited financial statements are not available, such unaudited financial statements as may be required by the Rule. In any event, audited financial statements of such Local Issuer must be submitted, if and when available, together with or separately from the Annual Report.

(b) If the Local Issuer is unable to provide an Annual Report to the Repositories by the date required in subsection (a), the Local Issuer shall send a notice to the Municipal Securities Rulemaking Board and any State Repository in substantially the form attached hereto as Exhibit A.

SECTION 4. Content of Annual Reports. Except as otherwise agreed, any Annual Report required to be filed hereunder shall contain or incorporate by reference, at a minimum, annual financial information relating to the Local Issuer, including operating data,

- (i) updating such information relating to the Local Issuer as shall have been included or cross-referenced in the final Official Statement of the Authority describing the Authority's Series 2003 C Bonds or
- (ii) if there is no such information described in clause (i), updating such information relating to the Local Issuer as shall have been included or cross-referenced in any comparable disclosure document of the Local Issuer relating to its tax-supported obligations or
- (iii) if there is no such information described in clause (i) or (ii) above, initially setting forth and then updating the information referred to in Exhibit B as it relates to the Local Issuer, all with a view toward assisting Participating Underwriters in complying with the Rule.

Any or all of such information may be incorporated by reference from other documents, including official statements of securities issues with respect to which the Local Issuer is an "obligated person" (within the meaning of the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Local Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 5. Reporting of Listed Events. Whenever the Local Issuer is a Material Obligated Person required to file Annual Reports pursuant to Section 3(a) hereof and obtains knowledge of the occurrence of a Listed Event, and if such Local Issuer has determined that knowledge of the occurrence of a Listed Event with respect to its local school bonds would be material, such Local Issuer shall promptly file a notice of such occurrence with each National Repository or the Municipal Securities Rulemaking Board and each State Repository, if any, with a copy to the Authority.

SECTION 6. Termination of Reporting Obligation. The Local Issuer's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of the legal defeasance or final retirement of all the Local School Bonds.

SECTION 7. Dissemination Agent. The Local Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Local Issuer shall advise the Authority of any such appointment or discharge. If at any time there is not any other designated Dissemination Agent, the Local Issuer shall be the Dissemination Agent. [The initial Dissemination Agent shall be _____.]

SECTION 8. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the Local Issuer may amend this Disclosure Agreement, if such amendment has been approved in writing by the Authority and is supported by an opinion of independent counsel, acceptable to the Authority, with expertise in federal securities laws, to the effect that such amendment is permitted or required by the Rule.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Local Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Local Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, such Local Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. Any person referred to in Section 11 (other than the Local Issuer) may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Local Issuer to file its Annual Report or to give notice of a Listed Event. The Authority may, and the holders of not less than a majority in aggregate principal amount of Bonds outstanding may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to challenge the adequacy of any information provided pursuant to this Disclosure Agreement, or to enforce any other obligation of the Local Issuer hereunder. A default under this Disclosure Agreement shall not be deemed an event of default under the applicable resolution or bonds of the Local Issuer, and the sole remedy under this Disclosure Agreement in the event of any failure of the Local Issuer to comply herewith shall be an action to compel performance. Nothing in this provision shall be deemed to restrict the rights or remedies of any holder pursuant to the Securities Exchange Act of 1934, the rules and regulations promulgated thereunder, or other applicable laws.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Local Issuer, the Participating Underwriters, and holders from time to time of the Authority's Bonds, and shall create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____

[LOCAL ISSUER]

By _____

EXHIBIT A

**NOTICE OF FAILURE TO FILE ANNUAL REPORT
[AUDITED FINANCIAL STATEMENTS]**

**Re: VIRGINIA PUBLIC SCHOOL AUTHORITY
SCHOOL FINANCING BONDS (1997 Resolution)
SERIES 2003 C**

CUSIP Numbers.

Dated: November 1, 2003

Name of Local Issuer _____

NOTICE IS HEREBY GIVEN that the [Local Issuer] has not provided an Annual Report as required by Section 3(a) of the Continuing Disclosure Agreement, which was entered into in connection with the above-named bonds issued pursuant to that certain Series Resolution adopted on [September 24, 2003], by the Board of Commissioners of the Virginia Public School Authority, the proceeds of which were used to purchase \$_____ [School Bonds] of the [Local Issuer]. [The Local Issuer anticipates that the Annual Report will be filed by _____.] The Local Issuer is a material “obligated person” within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, with respect to the above-named bonds of the Authority.

Dated:_____

[LOCAL ISSUER]

By_____

CONTENT OF ANNUAL REPORT

Description of the Local Issuer. A description of the Local Issuer including a summary of its form of government, budgetary processes and its management and officers.

Debt. A description of the terms of the Local Issuer's outstanding tax-supported and other debt including a historical summary of outstanding tax-supported debt; a summary of authorized but unissued tax-supported debt; a summary of legal debt margin; a summary of overlapping debt; and a summary of annual debt service on outstanding tax-supported debt as of the end of the preceding fiscal year. The Annual Report should also include (to the extent not shown in the latest audited financial statements) a description of contingent obligations as well as pension plans administered by the Local Issuer and any unfunded pension liabilities.

Financial Data. Financial information respecting the Local Issuer including a description of revenues and expenditures for its major funds and a summary of its tax policy, structure and collections as of the end of the preceding fiscal year.

Capital Improvement Plan. A summary of the Local Issuer's capital improvement plan.

Demographic, Economic and Supplemental Information. A summary of the Local Issuer's demographic and economic characteristics such as population, income, employment, and public school enrollment and infrastructure data as of the end of the preceding fiscal year. The Annual Report should also include a description of material litigation pending against the Local Issuer.

